

# KENTUCKY ECONOMIC INDICATORS

August Indicators as of October 28, 2004

## **KY Composite Index of Leading Indicators increased 0.7 percent for August.**

- The Leading Index increased for the sixth time this year.
- The Leading Index rose by 1.2 percent over the same month last year.
- Component indicators were mixed, gainers over losers 3:2.
  - + KY Labor Intensity Index increased 1.5 percent.
  - The US Leading Index decreased 4.1 percent.
  - + The Index of KY Initial Claims increased 1.8 percent.
  - US Retail Sales decreased 2.1 percent.
  - + The Louisville Help Wanted Index increased by 2 points to 47.

*Component weights for August are 49.59, 23.55, 14.77, 10.38 and 1.70 respectively.*

## **KY Composite Index of Coincident Indicators decreased 0.7 percent for August.**

- The Coincident Index decreased for the second time this year.
- Same-month-last-year growth is positive for the thirteenth consecutive month at 2.6 percent.
- Component indicators were mixed losers over gainers 2:1.
  - KY Total Nonagricultural Employment decreased 2.4 percent.
  - US Industrial Production Index decreased 1.7 percent.
  - + US Personal Income Less Transfers increased 2.0 percent.

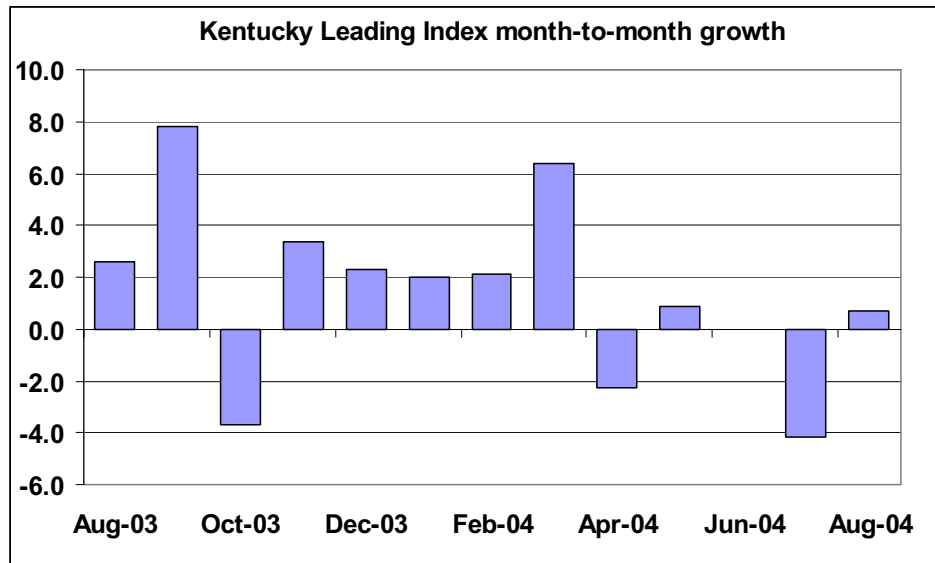
*Component weights for August are 31.55, 29.41, and 28.52 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.*

The Kentucky components of the Kentucky Leading Index were all positive this month, while the national components were both negative. This separation of the components of the Kentucky Leading Index highlights the differences between the Kentucky and national economies both contemporaneously and during the recovery as a whole. The Kentucky components were up moderately, a considerable turnaround from the July numbers.

Employment increased a net 3,400 workers in the five industries captured in our Kentucky Labor Intensity Index. The Kentucky Labor Intensity Index is calculated as employment times average weekly hours. Both employment and average weekly hours went up in August. However the full effects of those increases were dampened by revisions to July's average weekly hours. The previous month's data are revised each month as new data become available. Usually these changes affect average weekly hours by less than plus or minus a tenth of an hour for each industry. On average the changes to Average Weekly Hours for our five Manufacturing sectors are very small and mixed. For July the revisions were moderate-to-large and leaned positive. That is, average weekly hours for four of the five industries were revised upwards by a total of seven-tenths of an hour. When combined with the large month to month increase from July to August, we find that August's Kentucky Labor Intensity Index is lower than it would have been had the July numbers not been revised. Both the July and August numbers for the Kentucky Labor Intensity Index are accurate measures of economic activity. However, it is important to remember the impact of revisions when considering the month-to-month changes. This is the second increase in the Kentucky Labor Intensity Index this year.

August marks the third consecutive month of decline for the US Leading Index. The Conference Board follows the same three month rule as other monitors of leading indicators. That is, typically three consecutive negatives indicate a turning point in the reference series six-to-nine months from August.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



### About the Indicators

#### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

#### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.

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#### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

Office of State Budget Director

Room 284, Capitol Annex  
Phone: 502-564-7300 - [taj@mail.state.ky.gov](mailto:taj@mail.state.ky.gov)

Frankfort, Kentucky 40601-3453

**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

**2003**

**2004**

**AUG    SEP    OCT    NOV    DEC    JAN    FEB    MAR    APR    MAY    JUN    JUL    AUG**

KY Leading Index (1992=100)	111.1	111.8	111.4	111.7	111.9	112.1	112.3	112.9	112.7	112.7	112.7	112.3	112.4
% Chg Previous Month SAAR	2.6	7.8	-3.7	3.4	2.3	2.0	2.1	6.4	-2.2	0.9	0.0	-4.1	0.7
% Chg Same Month Last Year	0.3	1.4	1.0	1.1	1.5	1.5	1.8	2.7	2.6	2.5	2.3	1.4	1.2
KY Coincident Index (1992=100)	128.1	128.4	128.8	129.4	129.5	129.9	130.1	130.1	130.5	130.9	130.9	131.5	131.4
% Chg Previous Month SAAR	1.4	3.4	3.2	6.3	1.0	3.2	2.5	0.0	3.2	3.9	-0.3	5.7	-0.7
% Chg Same Month Last Year	0.1	0.5	0.8	1.3	1.6	1.7	1.9	2.0	2.4	2.6	2.5	2.8	2.6
KY Nonag Employment (000s)	1,779.6	1,782.7	1,785.2	1,786.4	1,785.7	1,793.4	1,788.2	1,788.1	1,788.1	1,788.4	1,792.0	1,800.7	1,797.1
% Chg Previous Month SAAR	2.9	2.1	1.7	0.8	-0.5	5.3	-3.4	-0.1	0.0	0.2	2.4	6.0	-2.4
% Chg Same Month Last Year	-0.4	-0.2	-0.2	-0.2	-0.2	0.4	0.4	0.3	0.4	0.4	0.7	1.4	1.0
KY Mfg Employment (000s)	265.2	265.1	266.2	265.8	266.1	266.9	265.8	265.8	264.1	264.5	264.5	259.0	262.9
% Chg Previous Month SAAR	1.4	-0.5	5.1	-1.8	1.4	3.7	-4.8	0.0	-7.4	1.8	0.0	-22.3	19.6
% Chg Same Month Last Year	-3.0	-2.3	-2.3	-2.0	-1.5	-1.0	-1.2	-0.6	-0.7	-0.4	-0.3	-2.2	-0.9
KY Unemployment Rate (%)	6.2	6.2	6.0	6.0	6.0	5.3	5.3	5.5	5.4	5.4	5.5	5.3	5.1
KY Index of Initial UI Claims	100.2	100.1	101.2	101.2	101.3	101.7	101.4	102.4	102.3	102.4	102.7	101.7	101.9
% Chg Previous Month SAAR	3.8	-1.2	13.5	0.3	1.1	5.5	-3.7	12.5	-1.1	1.4	2.6	-10.6	1.8
% Chg Same Month Last Year	-0.2	0.7	1.6	0.8	2.6	1.8	1.7	3.5	3.6	3.2	3.4	1.8	1.6
KY Labor Intensity Index (1992=100)	104.3	104.4	104.4	104.7	104.3	104.8	104.7	104.6	104.7	104.5	104.4	104.3	104.4
% Chg Previous Month SAAR	0.3	1.3	-0.3	3.4	-3.6	4.9	-0.7	-0.6	0.9	-2.6	-1.0	-1.7	1.5
% Chg Same Month Last Year	-0.8	-0.7	-0.7	-0.1	-0.6	0.1	0.2	0.7	0.7	0.4	0.4	0.0	0.1
Louisville HWI (1992=100)	47.0	73.0	50.0	49.0	57.0	50.0	55.0	56.0	51.0	48.0	51.0	45.0	47.0
% Chg Previous Month SAAR	-52.4	19,610.6	-98.9	-21.5	514.0	-79.2	213.8	24.1	-67.4	-51.7	107.0	-77.7	68.5
% Chg Same Month Last Year	-21.7	25.9	-13.8	-14.0	7.5	-9.1	-8.3	-3.4	2.0	2.1	4.1	-10.0	0.0
GF Total Tax Receipts (\$ mill)	459.6	628.9	530.4	531.1	676.1	583.1	462.6	509.3	721.1	479.5	633.7	519.1	513.4
% Chg Same Month Last Year	-5.9	-4.1	-7.1	0.7	5.3	-8.2	10.2	16.3	3.5	15.1	2.6	10.2	11.7
GF Sales & Use Receipts (\$ mill)	197.3	200.4	213.3	199.0	207.9	249.5	164.0	185.0	217.5	205.6	199.7	226.1	211.7
% Chg Same Month Last Year	-14.7	-0.4	-1.9	5.3	8.0	6.9	8.9	11.7	8.9	8.1	4.2	8.6	7.3
GF Income Tax Receipts (\$ mill)	224.2	273.0	228.1	224.0	247.6	207.2	217.3	142.0	366.6	189.6	270.2	224.2	245.2
% Chg Same Month Last Year	10.0	-2.2	-4.0	3.2	8.6	-28.8	6.1	21.4	3.4	19.8	0.8	8.5	9.4

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

2003

2004

	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
US Leading Index (1982=100)	113.2	113.3	113.9	114.2	114.5	114.9	114.9	115.8	115.9	116.5	116.4	116.1	115.7
% Chg Previous Month SAAR	4.3	1.1	6.5	3.2	3.2	4.3	0.0	9.8	1.0	6.4	-1.0	-3.0	-4.1
% Chg Same Month Last Year	2.2	2.7	3.3	2.9	3.1	3.5	3.9	4.9	4.9	4.4	3.9	2.9	2.2
US Coincident Index (1992=100)	114.7	114.9	115.2	115.6	115.8	116.0	116.3	116.8	117.1	117.4	117.4	117.7	117.8
% Chg Previous Month SAAR	0.0	2.1	3.2	4.2	2.1	2.1	3.1	5.3	3.1	3.1	0.0	3.1	1.0
% Chg Same Month Last Year	0.3	0.5	0.8	1.0	1.4	1.4	1.8	2.3	2.6	2.7	2.6	2.6	2.7
US Nonag Employment (Mil.)	129.8	129.9	129.9	130.0	130.0	130.2	130.3	130.6	131.0	131.2	131.3	131.3	131.5
% Chg Previous Month SAAR	-0.2	0.6	0.8	0.8	0.1	1.5	0.8	3.3	3.0	1.9	0.9	0.8	1.2
% Chg Same Month Last Year	-0.4	-0.3	-0.3	-0.2	0.0	0.0	0.2	0.5	0.8	1.0	1.1	1.2	1.3
US Unemployment Rate (%)	6.1	6.1	6.0	5.9	5.7	5.6	5.6	5.7	5.6	5.6	5.6	5.5	5.4
US Initial Claims for UI (000s)	400.4	399.5	382.2	368.7	362.5	355.3	355.5	340.4	343.6	341.3	336.0	343.6	342.4
% Chg Previous Month SAAR	2.7	-2.7	-41.2	-35.0	-18.4	-21.4	0.7	-40.6	11.9	-7.7	-17.1	30.8	-4.1
% Chg Same Month Last Year	1.2	-3.5	-7.3	-6.4	-13.1	-10.1	-13.4	-19.0	-21.0	-19.4	-19.8	-14.0	-14.5
US Industrial Production Index	110.9	111.5	111.8	112.9	113.1	113.8	114.8	114.7	115.3	116.2	115.9	116.7	116.5
% Chg Previous Month SAAR	0.3	7.1	3.1	12.3	2.9	7.3	10.7	-1.1	6.6	10.4	-3.6	8.6	-1.7
% Chg Same Month Last Year	-0.6	0.1	0.7	1.5	2.3	2.4	2.8	3.5	4.7	5.6	5.3	5.3	5.1
US Personal Inc. Less Trans. (bil 92\$)	7,437.9	7,451.6	7,488.2	7,542.8	7,550.6	7,538.9	7,551.2	7,558.5	7,585.5	7,603.6	7,604.1	7,632.8	7,645.4
% Chg Previous Month SAAR	1.3	2.2	6.1	9.1	1.2	-1.8	2.0	1.2	4.4	2.9	0.1	4.6	2.0
% Chg Same Month Last Year	1.6	2.0	2.3	3.1	3.4	3.1	3.2	3.2	3.3	2.9	2.6	2.7	2.8
CPI, All Urban (1982-84=100)	184.5	185.1	184.9	184.6	184.9	185.8	186.3	187.2	187.6	188.8	189.4	189.3	189.4
% Chg Previous Month SAAR	4.7	4.0	-1.3	-1.9	2.0	6.0	3.3	6.0	2.6	8.0	3.9	-0.6	0.6
% Chg Same Month Last Year	2.2	2.3	2.0	1.8	1.8	2.0	1.7	1.7	2.3	3.0	3.2	3.0	2.7
US Retail Sales (bil 84\$)	320.8	316.9	318.1	321.8	322.3	323.9	327.0	333.8	331.1	335.9	333.5	336.9	336.4
% Chg Previous Month SAAR	24.1	-13.7	4.4	15.0	2.0	6.0	12.0	28.1	-9.2	18.8	-8.2	12.9	-2.1
% Chg Same Month Last Year	6.7	6.8	6.6	7.3	6.4	6.3	8.5	8.6	7.5	9.3	6.8	6.9	4.8
Manufacturing & Trade Sales (000s)	873.0	879.0	883.0	888.5	895.2	894.4	898.8	921.9	916.1	916.9	920.2	922.1	*924.3
% Chg Previous Month SAAR	-5.4	8.6	5.6	7.7	9.4	-1.0	6.1	35.6	-7.4	1.1	4.4	2.6	2.8
% Chg Same Month Last Year	2.4	4.0	4.2	4.3	5.4	4.7	7.2	8.8	8.0	7.5	6.4	5.1	5.9
US Consumer Expectations (1966=100)	82.5	80.8	83.0	88.1	89.8	100.1	88.5	88.8	87.3	81.6	88.5	91.2	88.2
% Chg Previous Month AR	-15.9	-22.1	38.0	104.5	25.8	268.0	-77.2	4.1	-18.5	-55.5	164.9	43.4	-33.1
% Chg Same Month Last Year	2.4	1.1	13.5	12.2	11.1	37.5	26.6	27.6	10.1	-10.7	2.4	9.0	6.9
Ave. Prime Interest Rate (% NSA)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.42